

Message Text

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ACTION EUR-12

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FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01

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E.O. 11652: N/A

TAGS: EAGS EEC

SUBJECT: JANUARY 31 US-EC MEETING ON CORN

REF: STATE 020525

1. BEGIN SUMMARY. US TEAM HEADED BY BELL MET WITH EC OFFICIALS (LARDINOIS, RABOT AND STAFF) TO EXCHANGE LATEST INFORMATION ON EC CORN IMPORT SITUATION AND DISCUSS EVOLUTION OF CORN TRADE FOR THE REMAINDER OF CURRENT CROP YEAR. US SIDE EMPHASIZED THAT IT REGARDED A LEVEL OF EIGHT MILLION TONS AS HIGHEST DESIRABLE FIGURE WE COULD NOW PROJECT FOR US CORN EXPORTS TO THE COMMUNITY. COMMUNITY OFFICIALS SAID THEIR LATEST REVIED ESTIMATE FOR EC FEEDGRAINS CONSUMPTION AND PRODUCTION INDICATED AN OVERALL IMPORT NEED FOR CORN IN CURRENT CROP YEAR OF 12 MILLION TONS, WHICH IT WAS ESTIMATED 9 MILLION TONS COME FROM THE US. BOTH SIDES AGREED, HOWEVER, THAT ACTUAL TOTAL EC IMPORTS COULD BE STRONGLY INFLUENCED BY IMPORTS FROM ARGENTINA, WHOLSE CROP SITUATION WOULD BECOME CLEARED ONLY LATER IN THE YEAR. IT WAS AGREED TWO SIDES SHOULD MEET AGAIN ABOUT BEGINNING OF APRIL TO REVIEW THE SITUATION.

END SUMMARY

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2. BELL BEGAN MEETING BY REVIEWING US SITUATION, INCLUDING RECENT USDA REPORTS ISSUED ON WHEAT SITUATION, PIG CROP, PLANTING INTENTIONS AND STOCKS REPORT. HE EMPHASIZED OUR CURRENT ESTIMATE THAT TOTAL WORLD REDUCTION IN GRAIN CONSUMPTION WAS ABOUT 36 MILLION TONS OF WHICH US SHARE OF REDUCTION WAS 29 MILLION TONS. HE NOTED THAT BASED ON REPORTS CITED, IN PARTICULAR STOCKS REPORT, USDA WAS NOW INCREASING PROJECTED CORN EXPORTS FROM 900 MILLION BUSHELS TO 975 MILLION BUSHELS, AND THAT EC WOULD SHARE IN THAT INCREASE. GIVEN SUBSTANTIAL DEMANDS FROM OTHER COUNTRIES, HOWEVER, MOST WE WERE ABLE TO FORESEE FOR EC UNDER NEW TOTAL WAS EIGHT MILLION TONS, A FIGURE WHICH ITSELF WAS CONSIDERABLE ABOVE OUR ESTIMATES EARLIER IN CROP YEAR OF SEVEN MILLION TONS. CROP SITUATION IN SOUTHERN HEMISPHERE APPEARED SUFFICIENTLY GOOD AT THIS STAGE SO THAT ADDITIONAL SUPPLIES MIGHT BE AVAILABLE LATER IN CROP YEAR FROM ARGENTINA AND AUSTRALIA.

3. RABOT GAVE US NEW "EC BALANCE SHEET" FOR GRAINS (SENT SEPTEL) WHICH SHOWS PROJECTED CORN IMPORTS FROM ALL ORIGINS OF 12 MILLION TONS, UP FROM EARLIER 8.8 MILLION TON PROJECTION. HE SAID THAT EC ESTIMATED THAT UP TO 9 MILLION TONS OF THIS AMOUNT MIGHT COME FROM US. HE NOTED MAJOR REASONS FOR INCREASE IN IMPORTS WERE A) LOW CORN PRICE IN US; B) CONTINUED DECLINE IN VALUE OF US DOLLAR; AND C) DECLINE IN FREIGHT RATES.

4. TWO SIDES ALSO EXPLORED VARIOUS MEASURES EC MIGHT UNDERTAKE TO MAINTAIN CORN IMPORTS AT ACCEPTABLE LEVEL. RABOT SAID RECENT EC ACTION ON WHEAT EXPORTS WAS NOT RETURN TO EARLIER UNLIMITED EXPORT SUBSIDIZATION POLICY BUT WOULD BE LIMITED TO AMOUNTS OFFERED FOR TENDER. EC WOULD UNDER PRESENT POLICIES PROBABLY ACCUMULATE SUBSTANTIAL AMOUNT OF WHEAT IN INTERVENTION STOCKS BY END OF CROPYEAR, WHICH WAS A MAJOR POLITICAL PROBLEM FOR COMMUNITY. EC ON ITS OWN RAISED SUBJECT OF DENATURING PREMIUM WHOSE INTRODUCTION LARDINOIS SAID WAS OUT OF THE QUESTION FOR POLITICAL REASONS. LARDINOIS ASKED POINTEDLY WHETHER IN FACT US WISHED TO SERIOUSLY CONSIDER ALTERNATIVE OF ALLOCATION SYSTEM HE SAID HE DID NOT CONSIDER CHANGES IN BASIC LEVY OR IMPORT LICENSING SYSTEM WERE POSSIBLE AT THIS TIME, BUT SHOWED WILLINGNESS TO EXPLORE FURTHER DETAILS OF OPERATION OF THE SYSTEM.

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5. BELL POINTED OUT THAT LACK OF INFORMATION PROMISED BY EC ON ACTUAL IMPORTS WAS CAUSING DIFFICULTY FOR ACCURATE US ASSESSMENT OF SITUATION. EC RESPONDED THAT DIFFICULTY LAY IN COLLECTING INFORMATION FROM MEMBER STATES AND NOT WILLINGNESS OF COMMISSION TO PROVIDE IT. LARDINOIS ASSURED US OF MAXIMUM COOPERATION IN FUTURE AS STATISTICS BECAME AVAILABLE.

6. BELL ADDED THAT MAJOR ELEMENT IN DIFFERENCES BETWEEN EC AND

US ESTIMATES FOR EC CORN IMPORTS MIGHT BE AMOUNT OF EC IMPORTS
WHICH COULD BE AVAILABLE FROM SOUTHERN HEMISPHERE. EC AGREED THIS
WAS AN OPENQUESTION AND AGREED FURTHER THAT ANOTHER MEETING
WAS DESIRABLE SHORTLY AFTER APRIL 1, WHEN MORE ACCURATE ESTIMATE
OF ARGENTINE CROP WOULD BE AVAILABLE. GREENWALD

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